

Florence Investech Ltd. ₹1000*The Inflorescence will bloom !***Buy**

Apr 13, 2017

Company Background

JK Agri Genetics Ltd, a part of Hari Shankar Singhania Group was into Agri-Genetics business. The company was originally incorporated as JK Agro Products Ltd in 1993 then changed its name to Roshni Agro Chemicals Ltd in 1998 and then to JK Agri Genetics Ltd. The initial business profile of the company consisted of marketing hybrid seeds, research and development therein. The Agri-Genetics business of JK Industries Ltd was transferred to and vested in the company as a going concern basis effective in 2003. Further pursuant to the Scheme of Arrangement and Demerger between JK Agri Genetics Ltd. and Florence Alumina Ltd., the Seed business of the Company has been transferred to and vested in Florence Alumina Ltd. (name since changed to JK Agri Genetics Ltd.) and the Investment business remained with the Company whose name was later changed to Florence Investech Ltd.

Key Highlights

- ➔ Florence is basically an investment company with major holding of the JK Group companies. The Company holds shares of JK Agri Genetics Ltd, JK Tyre & Industries Ltd, JK Lakshmi Cement Ltd, JK Paper Ltd, Bengal & Assam Company Ltd, Umang Dairies Ltd & Udaipur Cement Works Ltd in the quoted equity segment and CliniRx Research Pvt Ltd, J K Pharmachem Ltd, J K Fenner (India) Ltd, JK Plant Bio Sciences Ltd, Global Strategic Technologies Ltd, J.K Risk Managers and Insurance Brokers Ltd in the unquoted equity segment. The company also has 2 unquoted units of Mutual Funds in its investment portfolio.
- ➔ The current Market Cap of its quoted investments is around 14.12 bn Rupees while the Market Cap if the holding company is just 3.3 bn Rupees. Even if we go by the 40 percent discount the Market Cap of the company as per the thumb rule should be Rs 8.5 bn this clearly shows the company is available at 2.5x discounted price currently.
- ➔ The current theme of the market is seen to be Holding companies, We had Bombay Burmah then Pilani then NBI Industrial Finance, going by the same rule this company valuations also look lucrative.

Key Financials

Year Ended 31 st	Mar 14	Mar 15	Mar 16
Revenue (INR mn)	73.8	73.0	342.3
Rev. growth (%)	(96.01)	(1.08)	368.90
EBITDA (INR mn)	67.8	69.5	338.5
Net profit (INR mn)	65.9	68.4	284.8
Shares outstanding (mn)	3.3	3.3	3.3
EPS (INR)	19.8	20.5	85.5
EPS growth (%)	(20.68)	3.79	316.37
P/E (x)	7.16	16.32	3.71
RONW (%)	3.91	5.78	21.03
ROCE (%)	4.03	5.87	24.98

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Info Codes

Reuters	: FLOE.BO
Bloomberg	: FIL:IN
NSE	: FLORENCE
BSE	: 532518

Market Data

52 Wk Range (₹)	: 353 / 1025
Shares in Issue (mn)	: 3.3
Mkt. Cap (₹ bn)	: 3.32
BSE 2 Wk Avg Vol	: 7152

Share Holding Pattern (%)

Promoters Holding	: 74.99
Corporate Holding	: 10.50
Domestic Institution	: 0.01
Foreign Institution	: 4.64
Public & Others	: 9.86

Investment Theme

The current Market Trends have shown value in Investment Companies with Many Investment Companies seeing a steady growth in their prices with respect to the discounted valuations they have been holding since a long time. This is evident from a large number of scrips which can be quoted as an example. The theme is either driven by some big bulls or as a general trend in the market, however there is no doubt that the same has been in existence since the past 1 year. Many Analyst have already predicted that 2017 will be the year of Holding companies. We therefore after our last 2 reports bring you another Flower from the bouquet. Florence Investech like other two has been a holding company for the JK Group with a Market Cap Discount of over 4x times the value it holds in its kitty. We feel like others this is also currently a good Buy.

Invest in the Invested

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 14	Mar 15	% Chg	Mar 16	% Chg
Operating Income	73.8	73.0	(1.1)	342.3	368.9
Other Income	0.0	0.0	-	0.0	-
Operating Exp.	1.7	1.3	(23.5)	0.9	(30.8)
Misc. Expenses	3.9	0.7	(82.1)	1.2	71.4
Employee Exp.	0.5	1.5	200.0	1.7	13.3
Total Expenditure	6.1	3.5	(42.6)	3.8	8.6
Gross Profit	67.7	69.5	2.7	338.5	387.1
Interest	1.3	0.0	(100.0)	0.0	-
Depreciation	0.0	0.0	-	0.0	-
PBT	66.4	69.5	4.7	338.5	387.1
Taxes	0.5	1.1	120.0	53.7	4781.8
Reported Net Profit	65.9	68.4	3.8	284.8	316.4
Extra Ord Items	0.0	0.0	-	0.0	-
Adjusted Net Profit	65.9	68.4	3.8	284.8	316.4

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Sep 12	Mar 14	Mar 15	Mar 16
SOURCES OF FUNDS	1106.8	1152.7	1215.2	1493.9
Equity Share capital	36.0	33.3	33.3	33.3
Equity Application Money	0.0	0.0	0.0	0.0
Equity Share Warrants	0.0	0.0	0.0	0.0
Reserves & Surplus	325.6	1119.4	1181.9	1460.6
Secured Loans	602.0	0.0	0.0	0.0
Unsecured Loans	143.2	0.0	0.0	0.0
USES OF FUNDS	1106.8	1152.7	1215.2	1493.9
Gross Block	591.8	0.1	0.1	0.1
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	223.7	0.0	0.0	0.1
Net Block	368.1	0.1	0.1	0.0
Capital Work in Progress	0.0	0.0	0.0	0.0
Investments	0.0	1109	1211.2	1438.4
Current Assets	2049.4	0.7	10.5	62.4
Less : Current Liabilities	1424.5	8.1	6.9	6.9
Total Net Current Assets	624.9	(7.4)	3.6	55.5
Misc. Expenses not writtenoff	113.8	51.0	0.3	0.0
NOTE				
Book Value of Unquoted Investments	0.0	78.4	118.8	390.2
Market Value of Quoted Investments	0.0	4075.9	10237.4	8928.5
Contingent Liabilities	0.0	15.7	14.3	14.3
Dividend (%)	0.0	15.0	15.0	15.0

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Mar 16	Jun 16	Sep 16	Dec 16
Operating Income	18.3	1.9	101.0	24.6
Other Income	0.0	0.0	0.0	0.0
Total Income	18.3	1.9	101.0	24.6
Interest	0.0	0.0	0.0	0.0
Employee Expenses	0.6	0.4	0.4	0.5
Other Expenses	0.3	0.2	0.8	0.4
Total Operating Exp	0.9	0.6	1.2	0.9
Operating Profit	17.4	1.3	99.8	23.7
Provision & Write Off	0.0	0.0	0.0	0.0
Depreciation	0.0	0.0	0.0	0.0
Profit Before Tax	17.4	1.3	99.8	23.7
Taxes	2.3	0.4	1.0	8.0
Extra Ordinary Items	0.0	0.0	0.0	0.0
Adjusted Net Profit	15.1	0.9	98.8	15.7

52 Week Index Relative Percentage Appreciation



Florence vs SENSEX

Risks Associated

- ➔ Overall performance of the company is directly related to the performance of its investment portfolio, on the macro economic factors and the growth in sensex. The company doesnt have a business of its own and depends upon the investment companies for its earning.
- ➔ Depreciating rupee is a cause for concern to asset managers and may make India an unattractive destination for global inflows over the medium term. FIIs inflows are, in any case, fluid and can be easily reallocated elsewhere by global fund managers. The case for reallocation to other destinations stands enhanced with the legal uncertainties which have previously arisen from the changes in tax laws in Budget.
- ➔ The companies share price depends on the price of its portfolio and there for cannot be translated into a 1 to 1 proportion as if the company anytime starts selling off its investments the price of the balance shares with the company also fall therefore a traditional 40% discount has to be taken in account.
- ➔ Since the company is group holding company any turmoil in the group or any company in the group may directly reflect on the share prices of the company.
- ➔ Holding companies are primarily to hold shares in Investment Companies and the value is theoretical and it may never be realised in truer sense.
- ➔ Events like global turmoil and a stagflation may damage the prospects of the company.

Florence

In a Nutshell

The current Investment of Florence Investech consists of the following : (Prices as on 10th Apr 2017)

Name of The Company	No. of Shares	Face Value	Price per Share (Rs.)	Net Asset Value (Rs. Cr)
JK Agri Genetics Ltd	15,00,000	10	550.8	82.62
JK Tyre & Industries Ltd	326,59,100	2	139.65	456.08
JK Lakshmi Cement Ltd	136,45,040	5	449	612.66
JK Paper Ltd	118,33,332	10	99.8	118.1
Bengal & Assam Company Ltd	6,46,811	10	1671.3	108.1
Umang Dairies Ltd	11,94,965	5	77.7	9.28
Udaipur Cement Works Ltd	75,11,756	4	33.9	25.46
Net Asset Value of All Quoted Investments in Florence as on 10th April 2017 is				1412.3

The above table clearly shows that the Net Asset Value of all the quoted Investments of Florence is nearly 4 times plus its Market Cap. Taking into consideration the current trend of Investment Companies, we feel Florence is a very good scrip to Buy at current prices. Though we consider the 40 discount valuation as per the thumb rule, Still there is a scope of at least 2.5x price rise in the scrip. So in line with the season of Investment Companies which we started we present another Flower in Florence, Florence Investech.

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Rating Interpretation

Buy : Expected to appreciate 20% or more over 12-months

Accumulate : Expected to appreciate 10% to 20% over 12-months

Trade Buy : Expected to appreciate more than 10% over 45-days

Reduce : Expected to depreciate up to 10% over 12-months

Sell : Expected to depreciate 10% or more over 12-months

Trade Sell : Expected to depreciate more than 10% over 45-days

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